

1 Malhar S. Pagay (CA Bar No. 189289)
2 Pachulski Stang Ziehl & Jones LLP
3 10100 Santa Monica Blvd., 13th Floor
4 Los Angeles, California 90067
5 L&B Case Telephone: 310/203-4273
6 Facsimile: 310/201-0760
7 E-mail: mpagay@pszjlaw.com

8 Attorneys for Richard M. Pachulski,
9 Chapter 11 Trustee

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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re:

LAYFIELD & BARRETT, APC,

Debtor.

Case No.: 2:17-bk-19548-NB

Chapter 11

**NOTICE OF HEARING ON AND SUMMARY
OF STIPULATION TO RE-CONVERT CASE
FROM CHAPTER 11 TO CHAPTER 7 OF
THE UNITED STATES BANKRUPTCY
CODE**

[Relates to Docket Nos. 609 and 610]

Date: December 6, 2022
Time: 1:00 p.m.
Place: Courtroom 1545 (or via ZoomGov)
255 E. Temple Street
Los Angeles, CA
Judge: Honorable Neil W. Bason

**TO THE HONORABLE NEIL W. BASON, UNITED STATES BANKRUPTCY JUDGE;
THE DEBTOR; THE OFFICE OF THE UNITED STATES TRUSTEE; ALL CREDITORS;
AND PARTIES REQUESTING SPECIAL NOTICE:**

PLEASE TAKE NOTICE that, pursuant to the *Order Setting Hearing on Stipulation to Re-Convert Case from Chapter 11 to Chapter 7 of the United States Bankruptcy Code* [Docket No. 610] (the "Stipulation Order"), a hearing to consider the *Stipulation to Re-Convert Case from Chapter 11 to Chapter 7 of the United States Bankruptcy Code* [Docket No. 609] (the "Stipulation") will be held before the Honorable Neil W. Bason, United States Bankruptcy Judge, on December 6, 2022, at 1:00 p.m. (Pacific Time) in Courtroom 1545 at the Edward R. Roybal Federal Building and U.S.

1 Courthouse, located at 255 East Temple Street, Los Angeles, California 90012. Parties may elect to
2 appear via Zoom at: <https://cacb.zoomgov.com/j/1606220468>; ZoomGov meeting number: 160 622
3 0468; Password: 553239; Telephone conference lines: 1 (669) 254 5252 or 1 (646) 828 7666.

4 On November 1, 2022, Richard M. Pachulski, chapter 11 trustee (the “Trustee”) of the estate
5 of Layfield & Barrett, APC, the debtor herein (“L&B” or the “Debtor”), and the United States
6 Trustee (the “UST”) entered into the Stipulation, which is summarized as follows:

- 7
8 1. There are various “chapters” of the United States Bankruptcy Code that provide for
9 different types of bankruptcy cases. For example, chapter 7 involves the liquidation
10 (i.e., sale) of an individual’s or company’s assets by a trustee; chapter 11 can involve
11 either the liquidation or reorganization of an individual or company’s assets through a
12 “plan of liquidation” or “plan of reorganization.” A chapter 11 case is usually steered
13 by the individual or company in bankruptcy – referred to as the “debtor”, however, in
14 some circumstances, a trustee is appointed to administer the chapter 11 case. In this
15 case, the Trustee was appointed as the chapter 11 trustee to administer the bankruptcy
16 estate (i.e., the property) of the L&B law firm – the Debtor. At the time of the
17 Trustee’s appointment, L&B was no longer in business.
- 18 2. In general, a debtor’s secured lenders (often banks and other financial institutions that
19 have liens on the debtor’s property) have the right to be paid first from their collateral
20 (i.e., the debtor’s property on which they have asserted liens). In May 2018, the
21 Trustee and the Debtor’s former secured lender, Wellgen Standard, LLC (“Wellgen”),
22 entered into a settlement to provide for the division of funds recovered by the Trustee
23 between Wellgen, on account of its secured claim, and the bankruptcy estate. Since
24 that time, Wellgen and the bankruptcy estate have split recoveries under the terms of
25 that settlement, resulting in a pay-down of secured debt to date in the approximate
26 amount of \$1.4 million and the partial payment of chapter 11 administrative expenses.
27 As of the date of the Stipulation, the Trustee holds \$14,997.57.
- 28 3. On March 8, 2022, Philip Layfield, the former principal of L&B, was sentenced by
the United States District Court for the Central District of California to be imprisoned
for 12 years. Layfield has appealed his conviction and sentencing. Through
Layfield’s sentencing, the Trustee learned that the State Bar of California reimbursed
around \$3 million to Layfield’s – and, presumably, L&B’s -- defrauded former clients
from its Client Security Fund. (The identities of former L&B clients receiving
payments from the State Bar of California were not disclosed in public filings with
the District Court and the Trustee does not know which individuals received or did
not receive such payments).
4. One reason, among others, that the Trustee kept the case in chapter 11 was to have the
ability to use one of the features available through a chapter 11 plan to address the
small claims of defrauded former L&B clients. In light of (a) the State Bar of
California’s reimbursements of certain former L&B clients through its Client Security
Fund; and (b) the financial condition of the bankruptcy estate, which is insufficient to

1 support the proposal of a chapter 11 plan, the Trustee and UST agreed in the
2 Stipulation to convert the bankruptcy case from one under chapter 11 of the
Bankruptcy Code to one under chapter 7 of the Bankruptcy Code.

3 **PLEASE TAKE FURTHER NOTICE** that, pursuant to the Stipulation Order, responses to
4 *this Notice of Hearing on and Summary of Stipulation to Re-Convert Case from Chapter 11 to*
5 *Chapter 7 of the United States Bankruptcy Code* must be filed and served on the respective counsel
6 to the Trustee and UST by November 22, 2022. Replies must be filed and served by November 29,
7 2022.

8 **IF YOU DO NOT OPPOSE APPROVAL OF THE STIPULATION DESCRIBED**
9 **ABOVE YOU DO NOT NEED TO TAKE ANY ACTION IN RESPONSE TO THIS NOTICE.**

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11 Dated: November 10, 2022

PACHULSKI STANG ZIEHL & JONES LLP

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13 By: /s/ Malhar S. Pagay
Malhar S. Pagay

14 Attorneys for Richard M. Pachulski, Chapter 11 Trustee
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PACHULSKI STANG ZIEHL & JONES LLP
ATTORNEYS AT LAW
LOS ANGELES, CALIFORNIA